


ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF AN INVESTIGATION) CAUSE NO. 40612
INTO CENTREX CHARTERS OFFERED BY)
INDIANA BELL TELEPHONE COMPANY,)
INC., d/b/a AMERITECH INDIANA.) APPROVED:

JUL 30 1997

BY THE COMMISSION:

G. Richard Klein, Commissioner

Don R. Mueller, Administrative Law Judge

On September 13, 1996, the Commission commenced this Cause ("Order Instituting Investigation" or "September 13, 1996 Order") to investigate certain terms and conditions contained in informational tariff filings made on July 19 and 23, 1996, by Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana ("Ameritech Indiana"), effecting certain changes to Ameritech Indiana's Advanced Centrex Service tariff.¹

The Commission initiated this investigatory proceeding in order to determine the existence and extent of the alleged abuse and harm asserted in filings with the Commission's Executive Secretary and with the Consumer Affairs Division. One of these filings was by Shared Technologies Fairchild Telecom, Inc. ("STF") which filed with the Commission on August 27, 1996, in Cause No. 40597 its **REQUEST FOR COMMISSION TO REASSERT JURISDICTION OVER AMERITECH'S ADVANCED CENTREX SERVICE AND TO HOLD TARIFF IN ABEYANCE**. STF is a Joint Tenant Services customer of Ameritech Indiana that buys Centrex services from Ameritech Indiana and resells it to tenants in the office buildings it serves. The other two complaints were filed with the Commission's Consumer Affairs Division by InetDirect, an Internet service provider in Ameritech Indiana's service territory, and Carroll Chevrolet, a Centrex service customer of Ameritech Indiana.

Taken together, these three filings complained of two (2) aspects of Ameritech Indiana's informational tariff filings, to wit: (1) the July 19, 1996 Ameritech Indiana filing required a separate "common block" for each physical premises location of the customer served by Ameritech Indiana's Advanced Centrex Service offering and (2) the July 23, 1996 filing that increased month-to-month intercom station rates for its Centrex services.²

¹The Commission reasserted "its jurisdiction over Ameritech's Advanced Centrex Service offerings, and Ameritech itself to the extent necessary to investigate these matters, under I.C. 8-1-2.6, 8-1-2, and any other pertinent or related statutory sections, as well as the Commission's obligations under the Telecommunications Act of 1996 and any applicable FCC rules or determinations." (Ordering Paragraph No. 3)

²STF's filing in Cause No. 40597 requested the Commission to grant specific relief as to the physical premises restriction (including the common block requirement) contained in the July 19, 1996 informational tariff filing as well as the proposed price increase in Ameritech Indiana's month-to-month intercom station rates contained in the July 23, 1996 informational tariff filing. The two other

While Ameritech Indiana's July 19, 1996 informational tariff filing became effective July 23, 1996 and the July 23, 1996 informational tariff filing was to become effective on September 16, 1996,³ the September 13, 1996 Order suspended the implementation of these tariff filings until such time as the Commission completed its investigation. The Commission further directed Ameritech Indiana to provide information to the Commission about such filings within thirty 30 days of the September 13, 1996 Order. Moreover, it directed certain Commission Staff to conduct a preliminary investigation and submit a report to the Commission within 120 days of the September 13, 1996 Order.

On September 27, 1996, Ameritech Indiana filed with the Commission its Verified Formal Request for a hearing under I.C. 8-1-2.6-2(c) and a Verified Motion to Vacate Certain directives in the September 13, 1996 Order, pending the outcome of such hearing ("September 27, 1996 Filing"). Ameritech Indiana maintained that the Commission may not reassert its jurisdiction over Ameritech Indiana and certain of its advanced Centrex Service offerings represented by the July 19 and 23, 1996 informational tariff filings unless and until a hearing has been held pursuant to I.C. 8-1-2.6-2(c), evidence has been received and findings have been made on that evidence. Ameritech Indiana further contends in its September 27, 1996 Filing that those portions of our September 13, 1996 Order reasserting the Commission's jurisdiction, suspending Ameritech Indiana's tariff filings, and initiating an investigation are beyond the Commission's statutory authority and should be vacated.

To date, the Commission has exercised only such jurisdictional authority as was necessary to initiate this investigation and has not reasserted full regulation previously relaxed in our Order in Cause No. 39705, issued June 30, 1994 (hereinafter, "O. I. Order"). Therefore, we conclude that it is unnecessary to vacate any portion of our September 13, 1996 Order. In view of subsequent filings by Ameritech Indiana, addressed below, the Commission finds it unnecessary to issue a ruling on Ameritech Indiana's September 27, 1996 Filing.

During the pendency of this Cause, a number of entities, including STF, have requested intervenor status in this proceeding. These requests have not been granted to date. In addition to STF, TCG Indianapolis, Consolidated Communications Services, Inc., MCI Telecommunications Corporation and AT&T Communications of Indiana, Inc. have also requested intervention. In view

complainants, Inet Direct and Carroll Chevrolet, focused their complaints upon the proposed month-to-month station rate increases in lieu of renegotiating the term of existing arrangements for Advanced Centrex Service. The Commission further takes administrative notice of the fact that STF requested the Commission to hold Cause No. 40597 in abeyance, staying all further proceedings therein pending the outcome of the Commission's investigation in this proceeding on the grounds that the "... Commission's investigation in Cause No. 40612 relates to issues which are substantially similar if not identical, to those raised in STF's Petition in Cause No. 40597". (STF's Motion to Stay Proceedings, Cause No. 40597, filed October 2, 1996 at p. 2)

³The July 23, 1996 informational tariff filing was later changed to reflect an effective date of January 13, 1997.

of the conclusion reached below, we find it unnecessary to reach a decision on such parties intervenor status in the Commission's investigation.

On October 15, 1996, Ameritech Indiana filed a Voluntary Submission with the Commission containing information pertinent to the Centrex tariff changes contained in the July 19 and July 23, 1996 informational tariff filings under a reservation of rights without waiver of any position taken in the September 27, 1996 Filing and expressly reserving any and all rights under law or as asserted by the September 27, 1996 Filing.

On January 14, 1997, the IURC Staff Preliminary Report on the July 19 and July 23, 1996 tariff filings was prefiled in this Cause.

On February 7, 1997, Ameritech Indiana filed its Motion to Strike the Preliminary Staff Report and further renewed its request for a ruling on the September 27, 1996 Filing. To date the Commission has also not ruled on this Motion and Request for Ruling nor has it received the Preliminary Staff Report into evidence. Again, in view of the Commission's resolution of its investigation herein, we find it unnecessary to reach a decision on this Motion and Request for Ruling.

On June 20, 1997, pursuant to Trial Rule 12(B)(6), Indiana Rules of Trial Procedure, Ameritech Indiana filed its "Motion to Dismiss The Commission's Investigation By Virtue of Ameritech Indiana's Withdrawal of (the July 19 and July 23, 1996) Informational Tariff Filings That Had Caused Such Investigation To Be Initiated". Also, on June 20, 1997 and contemporaneous with the filing of the aforementioned Motion To Dismiss, Ameritech Indiana submitted its Revised Informational Tariffs to the Telecommunications Division for the purpose of responding to the complaints underlying this investigation.

The Commission, based upon the applicable law, Ameritech Indiana's Motion to Dismiss, and being duly advised in the premises now finds as follows:

1. **Jurisdiction.** The Commission previously found in its September 13, 1996 Order that it has jurisdiction over Ameritech Indiana as a "public utility" within the meaning of the Indiana Public Service Commission Act, as amended, and as an incumbent local exchange carrier as defined by TA-96. The Commission exercises relaxed jurisdiction over Ameritech's Advanced Centrex Service offerings, pursuant to the O. I. Order, and reasserted its subject matter jurisdiction to the extent necessary to initiate this investigation. We affirm our previous finding of the September 13, 1996 Order that this Commission has the jurisdiction to conduct its investigation of the subject matter of this Cause.

2. **Subject Advanced Centrex Service Offering Changes.** We will review Ameritech Indiana's Voluntary Submission regarding its Advanced Centrex Service Offering changes which were filed on July 19, 1996 and July 23, 1996 and then review Ameritech Indiana's Catalog filing of June 20, 1997 which is responsive to our concerns in this investigation.

(a) **The July 19, 1996 Informational Tariff Filing.** Ameritech Indiana's July 19, 1996 informational tariff filing initiated modifications to terms and conditions contained in the Centrex tariff. Ameritech Indiana's Voluntary Submission filed with the Commission on October 15, 1996, stated that such modifications established explicitly the implicit design characteristics of Ameritech Indiana's Advanced Centrex Service offering, consistent with the federal Telecommunications Act of 1996 ("TA 96"), so that Centrex was made available to resellers on non-discriminatory terms and conditions.⁴ This filing required a separate common block for each physical premises location served by the Advanced Centrex Service; introduced a definition of a physical premises location to implement the common block provisions; restricted intercom calling to affiliated station users; prohibited direct interconnection of unaffiliated systems; provided the ability to reevaluate intercom pricing based on customers' usage; and introduced an approval process for contract assignments.

(b) **The July 23, 1996 Informational Tariff Filing.** Ameritech Indiana's July 23, 1996 informational tariff filing increased the pricing of the service establishment fee and month-to-month intercom station rates for its Advanced Centrex Service offering. According to Ameritech Indiana's Voluntary Submission, the price change to month-to-month station rates for Centrex was intended to bring month-to-month station rates more in line with multi-line business exchange rates in order to minimize the price discrepancies between these rates and thereby diminish the arbitrage opportunities available to resellers. This filing carried an effective date of September 16, 1996, the date on which mechanized billing by Ameritech Indiana was originally scheduled to be operational for such price changes. (See, Voluntary Submission, at pp. 7-11)

(c) **The June 20, 1997, Withdrawal of the July 19 and July 23, 1996 Informational Tariff Filings and Filing of Revised Informational Tariffs.**

1. **Issues Identified by the July 19 and July 23, 1996 Tariff Filings.** The September 13, 1996 Order mentions but three (3) underlying complaints it had received regarding certain aspects of Ameritech Indiana's Advanced Centrex Service offerings effected by the July 19, and July 23, 1996 informational tariff filings. As mentioned above, the July 19, 1996 informational tariff filing that required a separate "common block" for each physical premises location served by Ameritech Indiana's offering (including the new definition for a "physical premises location") had been one of two items that were the subject of a petition filed by STF on August 27, 1996, in Cause No. 40597. We take administrative notice of that proceeding wherein STF requested the Commission to eliminate this common block requirement as well as prevent the proposed price increase in month-to-month intercom station rates from becoming effective under the July 23, 1996 informational tariff

⁴ As noted by Ameritech Indiana in a previous filing in this Cause, Section 251(b)(1) of TA 96 guarantees that a LEC shall make its telecommunications services available for resale to requesting telecommunications carriers on terms and conditions that are reasonable and non-discriminatory. Prior to the effective date of TA 96, Ameritech Indiana was specifically not required to offer its Centrex services for resale. See, "Ameritech Indiana's Voluntary Submission of Information Pertinent to Centrex Tariff Changes of July 19, 1996 and July 23, 1996 Under Reservation of Rights" ("Voluntary Submission"), filed in Cause No. 40612 on October 15, 1996, pp. 3-11.

filing. The remaining two complainants referenced in the September 13, 1996 Order addressed solely the proposed month-to-month intercom station rate increases.

2. **Ameritech Indiana's Response of June 20, 1997.** On June 20, 1997, Ameritech Indiana, in a filing with the Commission, withdrew the July 19 and July 23, 1996 informational tariff filings in their entirety and concurrent therewith presented in their place a revised informational tariff filing that contains only provisions that are not the subject of various consumer complaints upon which the Commission's investigation is based. This filing withdrew the separate common block requirements (including the definition of a "physical premises location") set forth in the July 19, 1996 informational tariff filing as well as the proposed price increases set forth in the July 23, 1996 informational tariff filing.

Concurrently with this withdrawal filing, Ameritech Indiana filed on June 20, 1997, its revised informational tariffs that retain only certain provisions from the July 19, 1996 informational tariff filing. The revised June 20, 1997, informational filing retains nothing whatsoever from the July 23, 1996 informational tariff filing. From the July 19, 1996 informational tariff filing, Ameritech Indiana only retains the restrictions for intercom calling to affiliated station users; the prohibition of direct interconnection of unaffiliated Centrex systems; intercom prices for each Centrex system based upon a one and a half or less Centum Call Second (CCS) load; and the introduction of an approval process for contract assignments.

3. **Ameritech Indiana's Motion to Dismiss.** Ameritech Indiana moves the Commission to Dismiss its investigation by virtue of its withdrawal of the July 19 and July 23, 1996 informational tariff filings. Ameritech Indiana moves for such dismissal on the grounds that, as a consequence of such tariff withdrawal, the Commission's investigation has been thereby rendered moot and warrants dismissal because such investigation no longer contains a justiciable issue for the Commission to address since the tariff filings that formed the basis for the Commission's initiation of this investigation no longer exist. These withdrawn informational tariffs have been replaced by informational tariff provisions covering the same Advanced Centrex Service offerings that are the subject of this investigation. Ameritech Indiana urges our dismissal because its June 20, 1997 replacement filing was neither addressed in our investigation nor was it contested, and that it is similar to tariff provisions that have been subsequently approved by the Commission for a certificated ALEC in provisioning telecommunications services to consumers in this state.

4. **Conclusion.** The investigatory authority invoked by this Commission in its September 13, 1996 Order is sufficient to address the concerns raised with respect to Ameritech Indiana's Advanced Centrex Service offerings, even if the subject tariff filings have been replaced. To hold otherwise would freeze our investigation and prevent this investigation from determining whether Ameritech Indiana's actions (including its June 20, 1997 informational filing) are in the public interest and consistent with the federal competitive mandate of TA-96. It would also be administratively burdensome to inaugurate a newly docketed investigation to replace this proceeding were we to find that Ameritech Indiana's June 20, 1997 informational filing, which replaced the subject tariff filings, raised some or all of the same concerns as were addressed in our September 13, 1996 Order.

We have concluded from our review of the filings discussed above that the concerns underlying our investigation in this Cause have been dealt with adequately by Ameritech Indiana's June 20, 1997 replacement information tariff filing. Therefore, the Commission finds that this investigation should be dismissed, not upon Ameritech Indiana's Motion, but because of the result reached by Ameritech Indiana in revising its Advanced Centrex Service offering. We find, however, that such dismissal of our present investigation should not prejudice the right of any party to file a future complaint with this Commission.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Ameritech Indiana's Motion to Dismiss the Commission's investigation initiated in this Cause is hereby denied.
2. This proceeding shall be and hereby is dismissed for the reasons set out in Finding No. 4 above.
3. The dismissal of this Cause shall be without prejudice to the rights of any party to file any further complaint with this Commission.
4. This Order shall be effective on and after the date of its approval.

McCARTY, HUFFMAN, KLEIN AND ZIEGNER CONCUR; SWANSON-HULL NOT PARTICIPATING:
APPROVED:

JUL 5 0 1997

I hereby certify that the above is a true and correct copy of the Order as approved.


Brian J. Cohee
Executive Secretary to the Commission

IN THE MATTER OF AN INVESTIGATION
INTO CENTREX CHARTERS OFFERED BY
INDIANA BELL TELEPHONE COMPANY
INC., d/b/a AMERITECH INDIANA

FILED

JAN 14 1997

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 40612
ORDER INSTITUTING INVESTIGATION

FILE DATE
JANUARY 14, 1997

IURC STAFF PRELIMINARY REPORT ON
AMERITECH'S JULY 19 AND JULY 23, 1996 FILINGS
REGARDING ADVANCED CENTREX SERVICES

SPONSORED BY
JOEL FISHKIN
SENIOR UTILITY ANALYST
ECONOMICS AND FINANCE DIVISION
INDIANA UTILITY REGULATORY COMMISSION

EXECUTIVE SUMMARY

Under Cause No. 39705 Ameritech made two filings to alter its Advanced Centrex ("Centrex") tariff. On July 19, 1996 Ameritech altered tariff language regarding Centrex. This included deleting language allowing the transfer of Centrex service to another customer for \$75.00 and adding six provisions: 1) a provision defining physical premises location, 2) a provision requiring a separate common block, 3) a provision allowing intercom calling only between internal users, 4) a provision prohibiting interconnection of unaffiliated Centrex systems, 5) a provision explaining intercom prices, and 6) three identical provisions clarifying a customer's ability to transfer rights. Ameritech made exceptions to (2), (3), and (4) for government agencies, educational institutions, hotels/motels, health care facilities, airports, and voice mail providers. On July 23, 1996 Ameritech filed tariff changes raising the nonrecurring charge for initial service establishment and the month-to-month intercommunications rate. A series of complaints prompted the Indiana Utility Regulatory Commission ("Commission") to initiate a formal proceeding, Cause No. 40612. In this Cause, Ameritech was required to explain the changes in the tariff and the Staff of the Commission was required to prepare a report regarding the tariff changes. After examining Ameritech's report, the Staff requested Ameritech respond to a data request, but it refused for legal reasons that have not been addressed. A meeting with Ameritech representatives was arranged to clarify issues. The Staff believes the explanations Ameritech provided as required by the Commission and provided to the Staff at the December 18, 1996 meeting were inadequate, and many times, invalid.

In the July 19, 1996 filing, the Staff recommends rejecting the provision requiring a separate common block since it raises price to current customers of Ameritech and customers' of Ameritech's competitors. We also recommend rejecting the exceptions Ameritech makes for government agencies, educational institutions, hotels/motels, health care facilities, airports, and voice mail providers in the provision allowing intercom calling only between internal users and the provision prohibiting interconnection of unaffiliated Centrex systems. The exceptions are not warranted and may be discriminatory.

The Staff recommends rejecting the entire July 23, 1996 filing. Raising rates, in what Ameritech contends is a competitive market, without cost justification, violates basic principles of economics. We believe this is an exercise in monopoly power.

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Attachment A: July 19, 1996 Ameritech Catalog Informational Filing

Attachment B: July 23, 1996 Ameritech Catalog Informational Filing

Attachment C: November 27, 1996 Staff Data Request to Ameritech

Attachment D: December 12, 1996 Ameritech Response to Staff Data Request

Attachment E: December 27, 1996 Ameritech Proposed Changes to the July 19, 1996 Centrex Filing

I. Introduction

The Staff of the Indiana Utility Regulatory Commission ("Staff") submits this preliminary report as directed under Cause No. 40612. In Cause No. 40612 the Staff was ordered to investigate Indiana Bell Telephone Company, Inc., d/b/a Ameritech Indiana's ("Ameritech") July 19 (See Attachment A) and July 23, 1996 (See Attachment B) Advanced Centrex Service tariff filings and submit a preliminary report.

This preliminary report is intended to provide the Commission with sufficient information to be able to make a determination as to whether any further action is appropriate and necessary according to the Federal Telecommunications Act of 1996, the directives from the FCC, I.C. 8-1-2-58, -59, -69, -71, -72, -88, and 8-1-2.6, or any other applicable or appropriate statute or legal authority.¹

In this preliminary report the Staff will define Advanced Centrex ("Centrex") and explain the basic pricing components in Section II. In Section III the Staff will review the status of Cause No. 40612 and describe the Staff's attempt to gather information to complete the report. In Section IV the Staff analyzes the July 19 and July 23 filings in the context of the Telecommunications Act of 1996 ("Act"), Federal Communications Commission's ("FCC") Order 96-325 regarding implementing the Act,² and I.C. 8-1-2.6, Competition in the Provision of Telephone Services. In Section V the Staff summarizes the report. Finally, in Section VI the Staff makes its final recommendations.

¹ In The Matter of an Investigation Into Centrex Charters Offered by Indiana Bell Telephone Company Inc., d/b/a Ameritech Indiana, Cause No. 40612, Approved September 13, 1996, "Order Instituting Investigation," at 5.

² In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, CC Docket 96-98, FCC 96-325, Issued August 8, 1996.

II. Review of Centrex

A. Definition

Centrex is a telecommunications system which provides customers with access to the public switched network; intercommunications capabilities for internal calling; and features designed to facilitate use of the Centrex system.

B. Pricing

The Centrex tariff contains six basic pricing components: nonrecurring charge for initial service establishment, common equipment charge per month, exchange access, nonrecurring charge for intercommunications, monthly charge for intercommunications, and an end-user common line charge. The tariff contains rates depending on the number of stations (1 - 20 stations,³ 21 - 100 stations, 101 - 250 stations, 251 - 1000 stations, and 1001+ stations) and the duration of the contract (month-to-month, 36 months, 60 months, and 84 months).

III. Status of Cause No. 40612

Under Cause No. 39705 Ameritech made two filings to alter its Centrex tariff.⁴ Briefly, on July 19, 1996 Ameritech altered tariff language regarding Centrex. This included deleting

³ On December 18, 1996 Ameritech filed revisions to its existing Centrex tariff. The revisions were primarily designed to "re-style" the appearance of the Catalog pages. The instant filing also modified the 1 - 20 cell size to read 11 - 20 which is the minimum number of lines that can be purchased. Since the July 19 and July 23, 1996 filings were made before December 18, 1996, the Staff will use the previous tariff style in this report.

⁴ In the Matter of the Petition of Indiana Bell Telephone Company, Incorporated for the Commission to Decline to Exercise in Part Its Jurisdiction Over Petitioner's Provision of Basic Local Exchange. . ., Cause No. 39705, Approved June 30, 1994.

language allowing the transfer of Centrex service to another customer for \$75.00 and adding six provisions: 1) a provision defining physical premises location, 2) a provision requiring a separate common block, 3) a provision allowing intercom calling only between internal users, 4) a provision prohibiting interconnection of unaffiliated Centrex systems, 5) a provision explaining intercom prices, and 6) three identical provisions clarifying a customer's ability to transfer rights. On July 23, 1996 Ameritech filed tariff changes raising the nonrecurring charge for initial service establishment and the month-to-month intercommunications rate. A series of complaints described in the Order Instituting Investigation prompted the Indiana Utility Regulatory Commission ("Commission") to initiate a formal proceeding.⁵

On September 13, 1996 the Commission approved the Order in Cause No. 40612. Under Cause No. 40612 Ameritech was required to file an explanation for the increase in Centrex rates and changes in tariff language and the Staff was directed to write a preliminary report. On September 27, 1996 Ameritech filed a request for a formal hearing under I.C. 8-1-2.6(c) and to vacate the Commission's directives mentioned above ("Verified Formal Request and Motion").⁶ Under the Verified Formal Request and Motion, Ameritech requests a full hearing on reassertion of jurisdiction and claims that only after a full hearing can the Commission investigate the change in tariff. Further, Ameritech alleges that the burden of proof is on the petitioning party and that neither the Commission nor the Staff can prosecute the case. The Commission has not ruled on this motion. On October 15, 1996 Ameritech filed information ("Voluntary

⁵ Order Instituting Investigation, at 3.

⁶ Respondent Ameritech Indiana's Verified Formal Request for a Hearing under IC 8-1-2.6-2(c) and Verified Motion to Vacate Various Directives Contained in the Commission's "Order Instituting Investigation" Pending Outcome of Such Hearing, Cause No. 40612, filed September 27, 1996.

Submission") regarding the proposed changes made in the Centrex tariff, but reserved its rights for reasons set forth in its Verified Formal Request and Motion.⁷ On November 15, 1996 Shared Technologies filed a response to the Voluntary Submission.⁸

After reading the Voluntary Submission, which the Staff concluded did not provide sufficient detail to investigate this matter properly, the Staff sent a letter (See Attachment C) in the form of a "Data Request" to A. David Stippler (Ameritech's Counsel) on November 27, 1996 requesting further information be provided. On December 12, 1996 Mr. Stippler responded by letter (See Attachment D) to the data request by refusing to "participate in any formal discovery process related to this Cause"⁹ because of the pending Verified Formal Request and Motion. Prior to December 12, 1996 the Staff had arranged a physical meeting with Ameritech's representatives to discuss the two filings.

On December 18, 1996 the Staff, along with Jack O'Tain of the Commission, met with Mary Thompson and Steve Schlesinger. Ms. Thompson, Director - Regulatory Affairs, is Ameritech's point of contact for the two filings. Mr. Schlesinger, from Ameritech's Chicago office, informed the Staff that he had a similar meeting with the Ohio Public Utility Commission and has worked with the Wisconsin Public Utility Commission on a similar filing.

At the outset of the meeting, which lasted three hours, Ms. Thompson explained to the Staff that Mr. Stippler had informed her to help the Commission understand the filing and its

⁷ Ameritech Indiana's Voluntary Submission of Information Pertinent to Centrex Tariff Changes of July 19, 1996 and July 23, 1996 Under Reservation of Rights, Cause No. 40612, filed October 15, 1996.

⁸ Shared Technologies Fairchild Telecom, Inc's Comments on Ameritech Indiana's Information Filing, Cause No. 40162, filed November 15, 1996.

⁹ Letter from A. David Stippler of Ameritech to Mr. Joel Fishkin, December 12, 1996, at 2.

effects, but not to address with specificity the Voluntary Submission, other parties' positions, or the Staff's Data Request. During the meeting Ameritech representatives and the Staff discussed Centrex in general, the competitive nature of Centrex with PBX and key systems, the two filings, and the argument of arbitrage stated in the Voluntary Submission.¹⁰ Ameritech representatives never discussed specific cost figures for Centrex. The Staff notes that Ameritech was required to submit a cost study pursuant to the terms of Cause No. 39705, which was filed on July 23, 1996 with the tariff changes. However, the cost study is submitted only for the purpose of showing that the tariff is covering, at a minimum, Long Run Service Incremental Cost plus one percent.

IV. Staff Concerns

A. Introduction

As directed by the Commission, the filings of July 19 and July 23, 1996 must be examined under the umbrella of the Act, the directives from the FCC, I.C. 8-1-2.6,¹¹ and although not specifically stated in Cause No. 40612, the public interest role of the Commission. In Cause No. 39983, Interim Order on Bundled Resale and Other Issues, the Commission discussed the Act and requirements of Local Exchange Companies ("LECs").¹² The Staff

¹⁰ The Staff tried to take complete notes of conversations to the best of our ability, but misunderstandings may have occurred. We do not believe these occurrences to be many or of substance.

¹¹ Other statutes are mentioned in Cause No. 40612 including I.C. 8-1-2-58, -59, -69, -71, -72, -88,, but they discuss the Commission's jurisdiction or duties of telephone companies. The Staff will restrict its comments to the effect of the filings on ratepayers and as they pertain to competition.

¹² In the Matter of the Investigation on the Commission's Own Motion Into Any and All Matters Relating to Local Telephone Exchange Competition Within the State of Indiana, Cause No. 39983, Approved July 1, 1996, "Interim Order on Bundled Resale and Other Issues," at 17-20.

believes that the FCC in its First Report and Order clearly summarized the goals of the Act, one of which is "promoting increased competition in telecommunications markets that are already open to competition. . ."¹³ The FCC's directives gave clarity to many of the Act's provisions. The Staff believes I.C. 8-1-2.6 envisions a competitive market. Finally, "the primary role of the Commission is to find a proper balance between a utility's ratepayers and its investors."¹⁴ With this backdrop the Staff proceeds to analyze the two filings.

B. July 19, 1996 Filing

The July 19, 1996 filing eliminated portions of the existing tariff and added other language. For ease of understanding and completeness, the discussion follows the general structure of the tariff. We begin with what was eliminated. The existing tariff approved July 19, 1995 had three provisions (Part 5, Section 3, Original Sheet No. 19;¹⁵ Part 20, Section 5 Original Sheet No. 15; and Part 20, Section 5, Original Sheet No. 33) that contained language allowing the transfer of Centrex service to another customer for \$75.00. After raising the issue of why these sections were deleted at the December 18, 1996 meeting, Ms. Thompson acknowledged this language was removed by Ameritech in error. A letter dated December 27, 1996 from Ms. Thompson to Mr. Joel Fishkin (See Attachment E) formally reinstated this language.

The July 19, 1996 filing has six additions: 1) a provision defining physical premises

¹³ In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket 96-98, August 8, 1996, "First Report and Order," at 7.

¹⁴ Petition of Indiana-American Water Company . . ., Cause No. 40103, Approved May 30, 1996, at 5.

¹⁵ The term "tariff" as used herein refers to the Ameritech Catalog and, unless otherwise noted, page references pertain to the Ameritech Catalog.

location, 2) a provision requiring a separate common block, 3) a provision permitting intercom calling only between internal users, 4) a provision prohibiting interconnection of unaffiliated Centrex systems, 5) a provision explaining intercom prices, and 6) three identical provisions clarifying a customer's ability to transfer rights. These are addressed in the Sections below. We also examine separately the exceptions for government agencies, educational institutions, hotels/motels, health care facilities, airports, and voice mail providers in provisions (2), (3), and (4).

1. Provision Defining Physical Premises Location

In Part 2, Section 1, 1st Revised Sheet No. 4 of the July 19, 1996 filing Ameritech defines the physical premises location. This definition is used in the provision requiring a separate common block. Since we recommend rejecting the provision requiring the common block below and the definition does not add to the customer's understanding of the tariff, the Staff recommends rejecting the definition.

2. Provision Requiring a Separate Common Block

In Part 5, Section 3, Original Sheet No. 1.1 of the July 19, 1996 filing Ameritech includes a provision that a common block is required to provide service to each individual physical premise location with the exception of government agencies, educational institutions, hotels/motels, health care facilities, airports, and voice mail providers. A common block is essentially a software partitioning of the central office switch used in the provision of Centrex. The result of this change is to increase the service establishment fee for companies with multiple

locations. For example, prior to the change a car dealership with ten locations would pay one service establishment fee to obtain Centrex. Following the change, that same car dealership would pay ten service establishment fees.

In its Voluntary Submission, Ameritech claims Centrex is similar to Joint Tenant Service and "the expansion of the application of a physical premises restriction by the implementation of a common block requirement to general resale of Centrex was logical and consistent with the appropriate deployment of service."¹⁶ Ameritech further clarified the issue in the December 18, 1996 meeting. It stated the Telecommunications Act of 1996 prohibits discrimination between wholesale customers and retail customers and indicated this provision is needed to prohibit discrimination. It linked the discrimination issue to PBX and key systems that have a single site.

The Staff does not accept either of these arguments as justification for adding the provision requiring a separate common block. To compare Joint Tenant Service and Centrex is flawed reasoning because each is a separately tariffed service with its own rates, terms and conditions. In fact, Joint Tenant Service may or may not have Centrex as a component within itself. Therefore, Joint Tenant Service cannot be compared directly with Centrex on an "apples-to-apples" basis. Joint Tenant Service is essentially a shared service arrangement which allows business local exchange telephone service to be provided to individuals, firms, or corporations located within the Joint Tenant Service customers's premises. For example, a typical Joint Tenant Service customer would be the owner of a building with multiple non-affiliated tenants. In this case Centrex may be used as a component of the Joint Tenant Service offering to provide

¹⁶ Voluntary Submission, at 6-7.

each tenant with sophisticated telecommunications capabilities. Under this scenario separate common blocks may be necessary to partition (or segregate) the Centrex system so that the various tenants of the building would have access to Centrex functionality for their own use, but not for use in conjunction with each other.

The discrimination argument is unclear to the Staff. Regardless of the clarity of the argument, we believe it is flawed. Discrimination would occur if retail customers were forced to have the common block provision, but wholesale customers were not. The Staff assumes this provision holds for both retail and wholesale customers. Furthermore, it is incorrect to compare the competitive nature of PBX and key systems and apply that to a change in tariff language when the physical nature of the systems is different. Centrex is provided via dedicated physical line connections between the end-user and Ameritech's central office switch. Access to the public switched network as well as intercom calling capabilities are provided over these same connections. In contrast, a PBX arrangement uses common trunks between the Ameritech central office and the customer's premise for purposes of providing access to the public switched network. In the PBX scenario, intercom calling is provided out of the PBX and not the Ameritech central office over lines connecting the PBX to the end-user.

Because the provision requiring a separate common block would increase prices to customers and the argument Ameritech provided were not valid, the Staff recommends rejecting the provision.

3. Provision Permitting Intercom Calling Only Between Internal Users

In Part 5, Section 3, Original Sheet No. 1.1 of the July 19, 1996 filing Ameritech includes

a provision allowing intercom only calling between internal users with the exception of government agencies, educational institutions, hotels/motels, health care facilities, airports, and voice mail providers. As suggested in the Voluntary Submission this new provision clarifies implicit design characteristics of Ameritech's Centrex service and the Staff recommends accepting this provision.

4. Provision Prohibiting Interconnection of Unaffiliated Centrex Systems

In Part 5, Section 3, Original Sheet No. 1.1 of the July 19, 1996 filing Ameritech includes a provision prohibiting interconnection of unaffiliated Centrex Systems with the exception of government agencies, educational institutions, hotels/motels, health care facilities, airports, and voice mail providers. For example, if Company A has Centrex and Company B has Centrex separately, Company A could not connect to Company B. As suggested in the Voluntary Submission this new provision clarifies implicit design characteristics of Ameritech's Centrex service and the Staff recommends accepting this provision.

5. Provision Explaining Intercom Prices

In Part 5, Section 3, Original Sheet No. 1.1 of the July 19, 1996 filing Ameritech includes a provision explaining intercom prices. The original July 19, 1996 filing included language such that the customer would not know the price before the contract was signed. At the December 18, 1996 meeting Staff objected to this language and Ameritech agreed to remove that language. Ms. Thompson's letter dated December 27, 1996 formally deletes this language. The current proposed language is : "The intercom prices for each Centrex system are based on 1.5 or less

(Centum Call Second) load." Ameritech argued that inclusion of this language will assist it in migrating to a tiered system based on usage and that no customers will be subject to an increase in price if it exceeds this threshold.

A tariff is generally considered to be the rates, terms, and conditions associated with the provision and use of a utility's service. Informally, Ameritech has indicated that it is considering a future tiered pricing structure based on usage. The inclusion of such a statement in the tariff is premature and of no material benefit to the customer's understanding of present rates, terms, and conditions. Thus, the Staff recommends rejecting this provision.

6. Provision Explaining a Customer's Ability to Transfer Rights

In Part 5, Section 3, 1st Revised Sheet No. 19; Part 20, Section 5, 1st Revised Sheet No. 15; and Part 20, Section 5, 1st Revised Sheet No. 33 of the July 19, 1996 filing Ameritech includes a provision clarifying a customer's ability to transfer rights. With this provision customers cannot assign or transfer their rights or obligations without prior written consent of Ameritech and the consent cannot be unreasonably withheld or delayed. The Staff believes this language may be appropriate for administrative safeguards. The Staff has consulted with the General Counsel's office of the Commission about this provision. Discussions revealed this is common language in contracts of this type. The Staff takes no position on accepting or rejecting this provision. We do note, however, that we could not find similar language in other Ameritech tariffed services.

7. Exceptions for Government Agencies, Educational Institutions, Hotels/Motels, Health Care Facilities, Airports, and Voice Mail Providers.

In the provision requiring a separate common block, the provision permitting intercom calling only between internal users, and the provision prohibiting interconnection of unaffiliated Centrex systems, Ameritech seeks exceptions for government agencies, educational institutions, hotels/motels, health care facilities, airports, and voice mail providers. Ameritech didn't explain these exceptions in the Voluntary Submission, but during the December 18, 1996 meeting Ameritech provided the rationale for the exceptions. Government agencies and educational institutions were exempted due to public interest and safety considerations; hotels/motels, health care facilities, and airports were exempted since customers within these facilities are unaffiliated (an airport has different airlines, restaurants, etc.), but there is a community of interest, and Ameritech wanted to maintain the status quo; and voice mail providers were exempted since the system and customer are in different locations and Ameritech wanted to avoid confrontation with an emerging market.

The Staff believes these exceptions are not warranted. The Centrex tariff approved by the Commission does not have provide discounts for governmental agencies or educational institutions. The exceptions for hotels/motels, health care facilities, and airports are not valid because the institution operating the hotel, health care facility, or airport buys Centrex for the entire complex. For example, United Airlines, which has offices in the airport, would not buy Centrex; the Airport Authority, which operates the airport, would buy Centrex. Finally, we reject the argument regarding voice mail providers. One, voice mail providers are not unique in that the system and customers are in different locations and two, Ameritech should not be allowed to

give preferential treatment to a customer solely because it is in an emerging market.

The Staff also believes the exceptions may be discrimination within a class of customers Ameritech will serve and prohibited by I.C. 8-1-2-105. It states:

No public utility may make or give any undue or unreasonable preference or advantage to any person, or subject any person to any undue or unreasonable prejudice or disadvantage in any respect. A person who violates this section commits a Class B infraction.

The Staff does not to make any judgement regarding I.C. 8-1-2-105 and possible applicability under Cause No. 39705.

C. July 23, 1996 Filing

The July 23, 1996 filing from Ameritech contained two price increases. First, Ameritech raised the nonrecurring price for initial service establishment from \$910.00 to \$1,310.00 for 25 stations or under and \$1,930 to \$2,330 for 26 stations or over. The Voluntary Submission does not address this price increase. During the December 18, 1996 meeting Ameritech said it raised the nonrecurring charge for initial service establishment for two reasons. One, to ensure customers would not switch from Centrex to another service after a short time period and two, because a consultant thought, even after the price increase, it could still be competitive with PBX or key systems. This price increase adversely effects future Centrex retail customers of Ameritech and, because the wholesale rates are based on the retail rate, future Centrex retail customers of a competitor of Ameritech.

The Staff believes the argument of arbitrage is flawed for the reasons stated below and is concerned that Ameritech raised rates because a consultant said it could. On the one hand Ameritech argues Centrex is competitive with PBX and key systems, yet its actions -- raising the

price without cost justification -- implies the market cannot be competitive.¹⁷ In a competitive market a firm could not increase price, relative to other firms, without losing sufficient customers such that the price increase would not be profitable. The Staff sees no justification for this price increase and recommends the Commission reject this change in the tariff.

The second price increase from the July 19, 1996 filing was the increase in the month-to-month price per primary station. Ameritech increased all the month-to-month rates for the different stations (1 - 20 stations, 21 - 100 stations, 101-250 stations, 251 - 1000 stations, and 1001+ stations) by \$15.00, typically a doubling of the rates. Customers who are between contracts or customers who only need Centrex for a short time use the month-to-month contract. During the December 18, 1996 meeting Ameritech estimated that between five and fifteen percent of its Centrex customers use the month-to-month rate. In the Voluntary Submission Ameritech claimed the increase was needed to prevent arbitrage between Centrex lines and business exchange lines. Ameritech defines arbitrage as "the practice of the simultaneous purchase and sale of commodities or services to the same or different markets in order to profit from price discrepancies."¹⁸ The Staff prefers the following definition: "An arbitrage opportunity is an investment strategy that guarantees a positive payoff in some contingency with

¹⁷ From past dockets on Centrex the Commission found Centrex to be in competition with PBX and key systems. These dockets include Petition of Indiana Bell Telephone Company, Inc. for Authority to Make Adjustments in its Existing Centrex Exchange and Network Services Rates, for Approval of New Schedules, Rates and Rules and Regulations Therefor, Cause No. 37588, Approved March 20, 1985 and May 23, 1990 and In the Matter of the Investigation of the Commission's Own Motion Into the Propriety of Declining to Exercise its Jurisdiction, in Whole or in Part, Over Customer Specific Offerings of Indiana Telephone Companies Pursuant to I.C. 8-1-2.6, Et. Seq., Cause No. 38561, Approved October 4, 1989.

¹⁸ Voluntary Submission, at 7.

no possibility of a negative payoff and with no net investment."¹⁹

Based on Cause No. 39983, Interim Order on Bundled Resale and Other Issues, telecommunications companies are prohibited from buying Centrex and reselling it as business service.²⁰ Since cross-class resale is prohibited, there is no guaranteed positive payoff and it is likely a negative payoff will occur. If a company violates Cause No. 39983 and is caught, it faces possible complaint/investigative actions by the Commission. However, Ameritech's argument is based on the likelihood of such illegal activities.

Ameritech's July 23, 1996 informational tariff filing contained a \$15.00 increase in the month-to-month station rates for Centrex. This price change was intended to bring month-to-month Centrex rates more in line with multi-line business exchange rates in order to minimize the price discrepancies between these rates and thereby diminish the arbitrage opportunities available to resellers.²¹

The Staff is aware of fraud issues; currently fraud can occur due to the discrepancy between the residential rates and business rates. The Staff believes there are people who run businesses out of their homes, yet buy residential lines. If the Commission takes the argument of arbitrage in this Cause, it should use the same logic and raise residential rates to match business rates to avoid the same type of abuse. The Staff believes a better method to prevent fraud is to create stiffer penalties. Raising rates to a group of customers to prevent an abuse, which is already prohibited, is not in the public interest. Thus, the Staff recommends rejecting this tariff

¹⁹ The New Palgrave: A Dictionary of Economics, Edited by John Eatwell, Murray Milgate and Peter Newman, (Macmillan Press: London), 1987, at 100. The New Palgrave is a four volume set, with the leading experts in economics defining economic terms. This section was written by Philip H. Dybvig and Stephen A. Ross, leading experts in the theory of finance.

²⁰ Interim Order on Bundled Resale and Other Issues, at 35.

²¹ Voluntary Submission, at 8.

change.

Raising the month-to-month rates also is counter to the theory of competitive markets stated above. The Staff notes that although the Commission has found PBX and key systems are competitive with Centrex, the segment of the market for customers who only need Centrex for a short time may not be as competitive. Customers who need intercom calling features and access to the public switched network for a short time may not be able to recover the high initial capital costs of PBX. Centrex does not require a large initial investment.

The Staff believes the entire July 23, 1996 filing is an exercise in monopoly power -- an exercise public utility commissions (state and federal) were created to monitor and take necessary action against. Ameritech provided no cost justification and its arguments of arbitrage are not credible. Ironically, in 1990 when Ameritech petitioned the Commission to establish the Centrex rate structure it stated that it intended "to develop a rate structure which would reflect the conditions of a highly competitive market place and better reflect the cost of providing service."²² Now Ameritech wants to raise rates without cost justification.

V. Summary

The Staff has examined the proposed changes, read the Voluntary Submission for an explanation of the changes, and met with Ameritech representatives for further clarification. Ameritech filed proposed changes in the Centrex tariff "in anticipation of removing resale

²² Petition of Indiana Bell Telephone Company, Inc. for Authority to Make Adjustments in its Existing Centrex Exchange and Network Services Rates for Approval of New Schedules, Rates and Rules and Regulations Therefor, Cause No. 37588, Approved May 23, 1990, at 2.

restrictions for its telecommunications services."²³ The July 19, 1996 filing creates tariff language such that Centrex becomes more closely related to Joint Tenant Service, which would eliminate a clear distinction between Centrex and Joint Tenant Service, PBX, or key systems, and would increase costs to customers with multiple locations. The July 23, 1996 filing would raise prices on Centrex without any credible explanation.

The Act, the FCC, I.C. 8-1-2.6 all have the same long range goal -- competitive markets - which bring lower prices, improved quality of service, and innovative products. Yet the July 19 and July 23, 1996 filings are contrary to basic economic principles and the result is rate increases without any plausible explanation, which is contrary to the Act, FCC Orders, I.C. 8-1-2.6, and the public interest.

The Staff also notes Ameritech failed to cooperate fully in this matter by its refusal to respond to our Data Request.

VI. Recommendations

The Staff makes the following recommendations regarding the July 19 and July 23, 1996 filings from Ameritech.

- 1) Reject the provision defining physical premises location in Part 2, Section 1, 1st Revised Sheet No. 4 from the July 19, 1996 filing.
- 2) Reject the provision requiring common block in Part 5, Section 3, Original Sheet No. 1.1 from the July 19, 1996 filing.

²³ Voluntary Submission, at 3.

- 3) Reject the provision on Centrex pricing in Part 5, Section 3, Original Sheet No. 1.1 from the July 19, 1996 filing.
- 4) Reject all language regarding exceptions for government agencies, educational institutions, hotels/motels, health care facilities, airports, and voice mail providers in Part 5, Section 3, Original Sheet No. 1.1 from the July 19, 1996 filing.
- 5) Reject the increase in nonrecurring charges for establishment of new service and the month-to-month rate from the July 23, 1996 filing.
- 6) Ameritech should put restrictions in the tariff to prevent customers from buying Centrex and reselling it as business exchange similar to language in the existing tariff for business exchange.

Attachment A
Page 1 of 7



July 19, 1996

Indiana Utility Regulatory Commission
Indiana Government Center South
302 West Washington Street, E306
Indianapolis, Indiana 46204

340 North Meridian Street
Indianapolis, Indiana 46204
Phone (317) 265-2266

Attention: Mr. Jack O'Tain

Regarding: Ameritech Catalog Informational Filing

Commissioners:

Please find attached revised pages from the Ameritech Catalog which reflect modifications to several terms and conditions associated with Centrex service. These changes will impact the definition of a physical premises location, the networking of unaffiliated systems, common block requirements, level of intercom calling and transfer of ownership.

The attached informational pages are provided pursuant to the Final Order issued by the I.U.R.C. in Cause No. 39705.

If you have any questions, please give me a call at 265-5688.

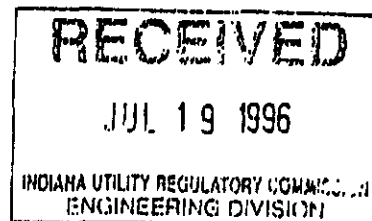
Very truly yours,

A handwritten signature in cursive script, reading "Mary S. Thompson".

Mary S. Thompson
Director - Regulatory Affairs

Attachments

cc: Economics and Finance Division
Office of Utility Consumer Counselor



INDIANA BELL
TELEPHONE COMPANY, INC.

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PART 2

SECTION 1

PART 2 - Terms and Conditions

FILED FOR

1st Revised Sheet No. 4

SECTION 1 - Definitions and Abbreviations INFORMATION ONLY Original Sheet No. 4

CAUSE NUMBER

DEFINITION OF TERMS (Cont'd)

89705

Attachment A

Page 2 of 7

DATE JUL 19 1996

INDIANA UTILITY REGULATORY COMMISSION

Person-To-Person

The term refers to that Message Toll Telephone Service of establishing connections for telephone communication between designated individuals.

Physical Premises Location

A physical premises location consists of all space occupied at the same address, same building or the same commonly owned or commonly managed geographically contiguous property.

Principal Central Office

This term refers to Private Line Services and Channels.

The term "Principal Central Office" refers to the central office in a single office exchange or to that office (usually the toll office) of a multi-office exchange which is designated as such for the purpose of measuring Inter-office and Inter-exchange Channel mileages.

Reversal of Charges

See COLLECT CALL and SPECIAL REVERSED CHARGE TOLL SERVICE

Service Reference

A service reference is one or more lines of explanatory text in connection with a listing for the purpose of rendering additional directory service. Service references may be used to assist in identifying the customer, to direct the calling party to call another number in case the first number does not answer, to refer to the proper listing when the customer is known by more than one name, to refer the calling party to another number after certain hours, or to give information as to reaching an out-of-town party by telephone, and so forth.

Special Reversed Charge Toll Service

Special reversed charge toll service is a toll operating arrangement whereby customers may offer their patrons the privilege of calling them collect without having to request specific acceptance of the charge.

* Denotes change

Effective: July 23, 1996

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Catalog

PART 3

SECTION 3

PART 5 - Centrex Services
SECTION 3 - Advanced Centrex Services

Original Sheet No. 1.1

GENERAL (Cont'd)

Attachment A
Page 3 of 7

A separate Centrex common block is required to provide service to each individual physical premises location with the exception of healthcare facilities, educational institutions, hotels/motels, government agencies, airports and voice mail providers. All features provided in the common block are for the exclusive use of the customer of record.^{/1/}

Centrex intercom calling is only allowed between station users internal to the end user customer or station users of an affiliate company with the exception of healthcare facilities, educational institutions, hotels/motels, government agencies, airports and voice mail providers. An affiliate company is a company associated with the end user customer by common ownership or control.^{/1/}

Direct interconnection of unaffiliated Centrex systems is prohibited with the exception of healthcare facilities, educational institutions, hotels/motels, government agencies, airports and voice mail providers. An affiliate company is a company associated with the end user customer by common ownership or control.^{/1/}

The intercom prices for each Centrex system are based on a 1 1/2 or less (Centum Call Second) load. Systems with loads higher than 1 1/2 CCS will be handled on an individual case basis. The company reserves the right to re-evaluate a customer's CCS load at any time.^{/1/}

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* Denotes change

/1/ Month-to-month customers and those who sign contracts after July 23, 1996, will be subject to this term and condition.

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PART 5

SECTION 3

PART 5 - Centrex Services
SECTION 3 - Advanced Centrex Services

1st Revised Sheet No. 19
Cancels
Original Sheet No. 19

Attachment A

Page 4 of 7

The Advanced Centrex Service will be furnished under the Variable Term Payment Plan (VTPP). The VTPP prices are payable over a period selected by the customer from those available. All conditions and regulations pertaining to the VTPP are included in VTPP, except as specified in the following paragraph.

Options and Conditions under VTPP

Conversions, Moves of Equipment - To or from other Telephone Companies in Different States and Change of Jurisdiction, as defined in the VTPP do not apply.

Moves of Equipment - Within the Same Telephone Company and State, as defined in the VTPP does not apply.

A customer may move a maximum of 25 Primary Stations (unless existing facilities will permit more as determined by the Telephone Company) anywhere within the same Central Office and keep the VTPP.

The customer shall not assign or otherwise transfer its rights or obligations under any Centrex arrangement provided under this tariff without prior written consent of Ameritech. Such consent will not be unreasonably withheld or delayed. Any provisions to the contrary found elsewhere in any tariff are superceded.

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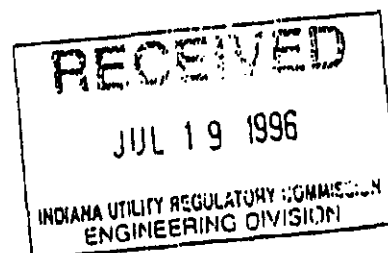
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39705

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* Denotes change

/1/ Material now appears in Part 5, Section 3, Original Sheet No. 19.1.

Effective: July 23, 1996

INDIANA BELL
TELEPHONE COMPANY, INC.

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Catalog

PART 5

SECTION 3

PART 5 - Centrex Services
SECTION 3 - Advanced Centrex Services

Original Sheet No. 19.1

Attachment A
Page 5 of 7

Options and Conditions under VTEP (cont'd)

A customer will have a one time option prior to the expiration date of the initial contract period to renew that contract for the same contract period and the same prices.

*/1/

The Termination Charges applicable to the Advanced Centrex Service are dependent upon the payment period selected by the customer. Termination Charges by optional payment period are as follows:

<u>Payment Option</u>	<u>Termination Charge</u>
1 Month	None
36 Months	18 months of payments or 60% of the remaining amount due, whichever is less.
60 Months	30 months of payments or 60% of the remaining amount due, whichever is less.
84 Months	42 months of payments or 60% of the remaining amount due, whichever is less.

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* Denotes change

*/1/ Material formerly appeared in Part 5, Section 3, Original Sheet 19.

Effective: July 23, 1996

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PART 20

SECTION 5

PART 20 - Grandfathered Services
SECTION 5 - Centrex Services1st Revised Sheet No. 15
Cancels
Original Sheet No. 15

CENTREX COMMUNICATION SYSTEM (Cont'd)

Attachment A
Page 6 of 7

Options and Conditions under VTPF (Cont'd)

The customer shall not assign or otherwise transfer its rights or obligations under any Centrex arrangement provided under this tariff without prior written consent of Ameritech. Such consent will not be unreasonably withheld or delayed. Any provisions to the contrary found elsewhere in any tariff are superceded.

The Termination Charges applicable to the Centrex Communication System are dependent upon the payment period selected by the customer. Termination Charges by optional payment period are as follows:

<u>Payment Option</u>	<u>Termination Charge</u>
1 Month	None
24 Months	12 months of payments or 60% of the remaining amount due, whichever is less.
48 Months	24 months of payments or 60% of the remaining amount due, whichever is less.

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Ameritech
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PART 20

SECTION 5

PART 20 - Grandfathered Services
SECTION 5 - Centrex Services

1st Revised Sheet No. 33
Cancels
Original Sheet No. 33

CENTREX SERVICE (Cont'd)

Attachment A
Page 7 of 7

General (Cont'd)

Centrex CO Term Payment Plan (CTPP) (Cont'd)

The customer agrees to maintain in service for the duration of the CTPP at least 90% of the Primary Stations. Reductions below the 90% level, complete termination of Centrex CO service, downgrades from Centrex II to Centrex I will invoke Termination Charges equal to the total remaining monthly payment for each item removed.

At the end of a customer's CTPP contract, the service will be continued at the prevailing Month-to-Month prices or the customer has the option to sign a one year renewal contract as specified in a following Paragraph under Centrex CO Term Payment Plan.

The customer shall not assign or otherwise transfer its rights or obligations under any Centrex arrangement provided under this tariff without prior written consent of Ameritech. Such consent will not be unreasonably withheld or delayed. Any provisions to the contrary found elsewhere in any tariff are superceded.

Temporary Suspension of Service, as specified in the Ameritech Tariff, is not applicable to service furnished under the CTPP.

Deferred Payment Option

Payment of Non-Recurring Charges may be deferred over the length of the customer's payment period or a shorter period (in annual increments), subject to the conditions specified in this paragraph.

The charges to be deferred must be among the following types:

- Installation
- Service Establishment

The customer must select a payment period longer than one month for the service and equipment for which charges are deferred.

The total amount of Non-Recurring Charges as specified above may be deferred.

The minimum amount deferrable is \$1,000.00.

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Effective: July 23, 1996

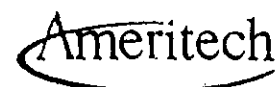
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INDIANA UTILITY REGULATORY COMMISSION
ENGINEERING DIVISION



July 23, 1996

Indiana Utility Regulatory Commission
Indiana Government Center South
302 West Washington Street, E306
Indianapolis, Indiana 46204

240 North Meridian Street
Indianapolis, Indiana 46204
Phone: (317) 265-2266

Attention: Mr. Jack O'Tain

Regarding: Ameritech Catalog Informational Filing

Commissioners:

Please find attached a revised page from Part 5, Section 3 of the Ameritech Catalog which changes the service establishment fee and 1 month intercom rates for Advanced Centrex Service. These price increases will not go into effect until September 16, 1996.

The informational page and associated cost summaries are provided pursuant to the Final Order issued by the I.U.R.C. in Cause No. 39705. The cost study information is to be treated as confidential, proprietary, and a trade secret and exempt from public disclosure under the terms of such Final Order.

If you have any questions, please give me a call at 265-5688.

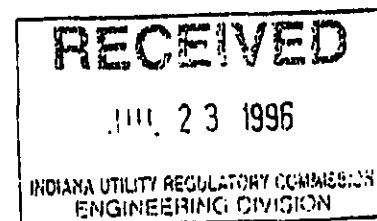
Very truly yours,

A handwritten signature in cursive script, reading "Mary S. Thompson".

Mary S. Thompson
Director - Regulatory Affairs

Attachments

cc: Economics and Finance Division
Office of Utility Consumer Counselor



INDIANA BELL
TELEPHONE COMPANY, INC.

Ameritech

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PART 5

SECTION 3

PART 5 - Centrex Services
SECTION 3 - Advanced Centrex Services

2nd Revised Sheet No. 23
Cancels
1st Revised Sheet No. 23

Attachment B

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BASIC SERVICE

	Non- Recurring Price	1 Month	Optional Payment Periods Monthly Prices		
			36 Months	60 Months	84 Months
Initial Service Establishment - System Charge, each system					
25 Primary or Intercom Only Stations and under	\$1,310.00*	N/A	N/A	N/A	N/A
26 Primary or Intercom Only Stations and over	2,330.00*	N/A	N/A	N/A	N/A
Common Equipment /CKC/	-	\$30.00	\$27.50	\$25.00	\$23.00

Primary Stations

Exchange Access

See the Ameritech Tariff for applicable rates and charges. The rates are shown on Sheets 23.1, 23.2 and 23.3 of this Section for reference only.

Intercommunications

Station Cell Size	Non- Recurring Price	Optional Payment Periods Monthly Price - Per Primary Station				Minimum Breakpoint#	Maximum Breakpoint#*
		1 Month	36 Months	60 Months	84 Months		
1-20 Station	\$34.00	\$31.50*	\$14.50	\$13.50	\$13.00	2.0 miles	3.0 miles
21-100 Stations	34.00	30.00*	13.00	12.00	11.50	1.5 miles	2.5 miles
101-250 Stations	34.00	29.50*	12.50	11.50	11.00	1.5 miles	2.5 miles
251-1000 Stations	34.00	29.00*	12.00	11.00	10.50	1.2 miles	2.2 miles
1001+ Stations	34.00	28.25*	11.25	10.25	9.75	.9 miles	1.9 miles

* Distance measured in airline miles from the Central Office.

#* Customers whose premises are beyond the maximum breakpoint, and request service will be treated on an individual case basis and charges will be based on cost in accordance with the procedures provided in Part 2, Section 7.

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CAUSE NUMBER

89705

* Denotes change

Effective: September 16, 1996

DATE JUL 23 1996

INDIANA UTILITY REGULATORY COMMISSION

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INDIANA UTILITY REGULATORY COMMISSION
INDIANAPOLIS, INDIANA

STATE - INDIANA



INDIANAPOLIS, 46204

INDIANA UTILITY REGULATORY COMMISSION
302 W. WASHINGTON STREET, ROOM E306

November 27, 1996

A. David Stippler
240 N. Meridian Street
Room #1826
Indianapolis, IN 46204

Dear Mr. Stippler:

According to Cause No. 40612 Order Instituting Investigation, September 13, 1996 the Commission staff has been directed to conduct a preliminary investigation and submit a report by January 13, 1996. The staff has analyzed the proposed tariff changes from July 19, 1996 and July 23, 1996 and Ameritech Indiana's Voluntary Submission filed October 15, 1996. We feel further information is needed to be able to prepare our report. Attached is a data request that seeks additional information. The information provided may result in additional questions by the staff. Therefore, the staff may forward additional data requests or set up a meeting with the appropriate Ameritech representative(s) over the next few weeks before our report is due.

The Order Instituting Investigation allowed for additional information to be obtained through a data request by the staff, but did not include any specific time intervals to provide information. In order for the staff to complete the report, please respond by December 13, 1996. If you have any questions, please call (233-3464).

Sincerely yours,

Joel A. Fishkin
Senior Utility Analyst

Data Request

1. Please confirm that Attachment A represents the full content of the July 19, 1996 Ameritech filing which is the subject of Cause No. 40612.
2. Please confirm that Attachment B represents the full content of the July 23, 1996 Ameritech filing which is the subject of Cause No. 40612.
3. Please confirm that Attachment C represents the full content of the filing made by Ameritech on July 19, 1996 to alter the proposed effective date of said filing from September 16, 1996 to January 13, 1997.
4. Please provide a diagram of how Centrex Services are typically provided in a Joint Tenant Services arrangement for a multi-tenant high-rise building. Please supplement the diagram with written discussion that makes clear all pertinent equipment, functions, etc., including, but not necessarily limited to, the types of facilities generally used, the parties responsible for providing facilities and maintaining them, and an indication as to who has access to those facilities, etc. In lieu of prescribing a specific format, it is requested that Ameritech's response include sufficient detail.
5. Part 5, Section 3, Original Sheet No. 1 states, "A separate Centrex common block is required to provide service to each individual physical premises location with the exception of healthcare facilities, educational institutions, hotels/motels, government agencies, airports, and voice mail providers. All features provided in the common block are for the exclusive use of the customer of record." (A related footnote indicates that "[m]onth-to-month customers and those who sign contracts after July 23, 1996, will be subject to this term and condition.")
 - A. Please explain what is meant by the term common block, providing sufficient detail as to understand how it applies to an overall Centrex system. (For example, where is the block located, e.g., software function in the end office switch, physical equipment located at..., etc., and its purpose for being.)
 - B. Please explain why certain entities are exempted from the proposed "separate Centrex common block" requirement, i.e., healthcare facilities, educational institutions, etc.
 - C. Please indicate if this is a new requirement which Ameritech is proposing to impose on Centrex customers or if it is a written formalization of existing Ameritech policy as it relates to Centrex.
 - D. Please indicate the specific rationale for this provision which was apparently made "...in anticipation of removing resale restrictions..." (Ameritech Indiana's Voluntary Submission filed October 15, 1996, p. 3.)

- E. Please indicate how the common block fits into an overall Centrex system clarifying any differences in provisioning if associated with a Joint Tenant Services arrangement like the one contemplated in Question 4 preceding.
 - F. Who will pay for the separate Centrex common block?
6. Part 5, Section 3, Original Sheet No. 1 states, "Centrex intercom calling is only allowed between station users internal to end...."
- A. Please explain what is meant by "...station users of an affiliate company..."
 - B. Please explain why certain entities are exempted from the proposed criteria, i.e., healthcare facilities, educational institutions, etc.
 - C. Please indicate if this is a new requirement which Ameritech is proposing to impose on Centrex customers or if it is a written formalization of existing Ameritech policy as it relates to Centrex.
 - D. Please indicate the rationale for this provision which was apparently made "...in anticipation of removing resale restrictions..." (Ameritech Indiana's Voluntary Submission filed October 15, 1996, p. 3.)
7. Part 5, Section 3, Original Sheet No. 1 states, "Direct interconnection of unaffiliated Centrex systems..."
- A. Please explain what is meant by "Direct interconnection of unaffiliated Centrex systems..."
 - B. Please explain why certain entities are exempted from the proposed criteria, i.e., healthcare facilities, educational institutions, etc.
 - C. Please indicate if this is a new requirement which Ameritech is proposing to impose on Centrex customers or if it is a written formalization of existing Ameritech policy as it relates to Centrex.
 - D. Please indicate the rationale for this provision which was apparently made "...in anticipation of removing resale restrictions..." (Ameritech Indiana's Voluntary Submission filed October 15, 1996, p. 3.)
8. Part 5, Section 3, Original Sheet No. 1 states, "The intercom prices for each Centrex system are based on a 1½ or less (Centum Call Second) load. Systems with higher than 1½ CCS would be handled on an individual case basis. The company reserves the right to re-evaluate a customer's CCS load at any time. (A related footnote indicates that

"[m]onth-to-month customers and those who sign contracts after July 23, 1996, will be subject to this term and condition.")

- A. Please explain the term Centum Call Second as used here.
 - B. What rationale was used to determine that prices for each Centrex system should be based on a 1½ or less Centum Call Second load.
 - C. Will customer know what those prices will be in advance of exceeding the threshold?
 - D. Please indicate if this is a new requirement which Ameritech is proposing to impose on Centrex customers or if it is a written formalization of existing Ameritech policy as it relates to Centrex.
 - E. Please indicate the rationale for this provision which was apparently made "...in anticipation of removing resale restrictions..." (Ameritech Indiana's Voluntary Submission filed October 15, 1996, p. 3.)
- 9. Please explain any technical differences which exists between a Centrex Line and a Business Line. {Copper is the same but line cards, switch translations, etc., will be different.}
 - 10. Ameritech on page 7 of its Voluntary Submission discusses arbitrage opportunities between Centrex and business exchange service. Does the class (category) of service restrictions detailed in Cause No. 39983 Interim Order on Bundled Resale and Other Issues, July 1, 1996 alter your argument of arbitrage?
 - 11. Ameritech on page 8 of its Voluntary Submission indicates that "Business exchange rates in Indiana have traditionally been maintained at artificially high levels in order to provide a source of revenue flow which has enabled Ameritech Indiana to keep residential exchange rates artificially low." Does Ameritech have a cost study which shows the actual costs for its residence and business services, as well as its Centrex services and what costing methodology it is based upon?
 - 12. Please provide all the conditions necessary for arbitrage to be successful.
 - 13. Do the conditions in question 12 exist in the market for Centrex Services and Business Lines?
 - 14. In the existing catalog, Ameritech indicates that supersedure is permitted , as defined by the variable term payment plan, subject to a Transfer Charge of \$75.00. [See, Part 5, Section 3, Original Sheet No. 19; Part 20, Section 5, Original Sheet Nos. 15 & 33.]
 - A. Please explain the rationale for removing this language.

- B. Please explain the implications for retail customers and wholesale customers.
 - C. Please explain what charges the wholesale customer and retail customer will be responsible for prior to and after removal of this language.
- 15. Does Ameritech Indiana or any of its affiliate companies provide PBX services. If so, who?
 - 15. How many Joint Tenant customers does Ameritech Indiana have?
 - 16. How many of Ameritech Indiana's Joint Tenant customers use Centrex?
 - 17. How many of Ameritech Indiana's Joint Tenant customers use PBXs?

Attachment D
Page 1 of 2

Ameritech Indiana
240 North Meridian Street
Room 1827
Indianapolis, IN 46204
Office 317/265-2136
Fax 317/265-3343

A. David Stippier
Counsel



December 12, 1996

Mr. Joel A. Fishkin
Senior Utility Analyst
Indiana Utility Regulatory Commission
302 W. Washington Street, Room E306
Indianapolis, Indiana 46204

VIA HAND DELIVERY

RE: Cause No. 40612

Dear Mr. Fishkin:

Reference is made to your letter directed to me of November 27, 1996, which contained formal data requests from the Staff seeking additional information from Ameritech Indiana with regard to Ameritech Centrex tariff filings of July 19, 1996, and July 23, 1996.

It is clear from your letter that these data requests have been submitted to Ameritech Indiana in conjunction with the Commission's "Order Instituting Investigation" in Cause No. 40612 dated September 13, 1996 (the "September 13 Order"), that directs the Staff to prepare a preliminary report to the Commission within 120 days of the date of that Order. As you may be probably aware, in response to the September 13 Order, Ameritech Indiana filed with the Commission on September 27, 1996, its Verified Formal Request for a hearing under I.C. 8-1-2.6-2(c) and a Verified Motion to Vacate certain directives in the September 13 Order pending the outcome of such hearing ("Verified Motion"). In its Verified Motion, Ameritech Indiana has pointed out to the Commission that its September 13 Order has commenced to proceed to reassert its jurisdiction over certain of Ameritech Indiana's Advanced Centrex Service tariff changes and to prescribe the Commission's investigation if Ameritech Indiana did not request the statutorily-required hearing set forth in I.C. 8-1-2.6-2(c) before reassertion of such jurisdiction may take place. Since Ameritech Indiana has requested such a hearing, it is Ameritech Indiana's position, among other things, that those provisions of the September 13 Order which direct Ameritech Indiana's provision of information, the Staff's investigation and the suspension of Ameritech Indiana's tariff changes must be vacated pending the outcome of the hearing on reassertion of jurisdiction.

To date, the Commission has not yet ruled on Ameritech Indiana's Verified Motion. I hope you can appreciate that, given the position taken in its Verified Motion, Ameritech Indiana is unable to provide responses to the formal data requests submitted with your letter without prejudicing its rights in this matter. While Ameritech Indiana remains willing to discuss with designated members of the Staff

Attachment D

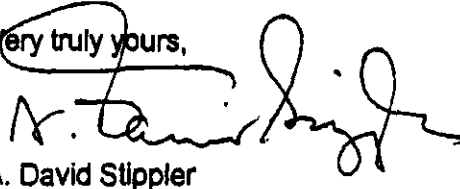
Page 2 of 2

Mr. Joel A. Fishkin
Senior Utility Analyst
December 12, 1996
Page 2.

on an informal basis its tariff filings, it is unable to participate in any formal discovery process related to this Cause. It is my understanding that tentative arrangements have been made by you and Mr. O'Tain of the Commission Staff with Mary Thompson of Ameritech Indiana's Public Policy Organization to meet with representatives from Ameritech next week to informally discuss these matters.

If you have need for any further clarification of this matter, please feel free to contact me.

Very truly yours,



A. David Stippler

ADS:for

cc: Mr. Cubellis
Mr. McGill
Ms. Thompson



December 27, 1996

240 North Meridian Street
Indianapolis, Indiana 46204
Phone (317) 265-2266

Indiana Utility Regulatory Commission
Indiana Government Center South
302 West Washington Street, E306
Indianapolis, Indiana 46204

Attention: Mr. Joel Fishkin

Regarding: Proposed Changes to the July 19 Centrex Filing

Per your request, please find attached proposed changes to the July 19 Centrex filing which we discussed at our meeting on December 18. These changes include the partial removal of new CCS language (Sheet No. 1.1) and the re-insertion of the \$75.00 Transfer Charge, which had been removed in error.

For ease of comparison, these changes were made in the old Centrex format. They will need to be "officially" filed under the new Centrex format, which went into effect on December 19. I am not sure, however, how to handle the effective date on such a filing. If you have any suggestions, I would be happy to hear them.

Please give me a call at 265-5688 if you have any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Mary S. Thompson".

Mary S. Thompson
Director - Regulatory Affairs

Attachments

INDIANA BELL
TELEPHONE COMPANY, INC.

Ameritech
Catalog

Attachment E
Page 2 of 5

PART 5

SECTION 3

PART 5 - Centrex Services
SECTION 3 - Advanced Centrex Services

Original Sheet No. 1.1

GENERAL (Cont'd)

A separate Centrex common block is required to provide service to each individual physical premises location with the exception of healthcare facilities, educational institutions, hotels/motels, government agencies, airports and voice mail providers. All features provided in the common block are for the exclusive use of the customer of record.^{/1/}

Centrex intercom calling is only allowed between station users internal to the end user customer or station users of an affiliate company with the exception of healthcare facilities, educational institutions, hotels/motels, government agencies, airports and voice mail providers. An affiliate company is a company associated with the end user customer by common ownership or control.^{/1/}

Direct interconnection of unaffiliated Centrex systems is prohibited with the exception of healthcare facilities, educational institutions, hotels/motels, government agencies, airports and voice mail providers. An affiliate company is a company associated with the end user customer by common ownership or control.^{/1/}

The intercom prices for each Centrex system are based on a 1 1/2 or less (Centum Call Second) load.

* Denotes change

/1/ Month-to-month customers and those who sign contracts after July 23, 1996, will be subject to this term and condition.

Effective: July 23, 1996

INDIANA BELL
TELEPHONE COMPANY, INC.

Ameritech

Catalog

PART 5

SECTION 3

PART 5 - Centrex Services
SECTION 3 - Advanced Centrex Services

Original Sheet No. 19.1

Options and Conditions under VTPP (cont'd)

A customer will have a one time option prior to the expiration date of the initial contract period to renew that contract for the same contract period and the same prices.

Supercedure, as defined in the VTPP, is permitted subject to a Transfer Charge of \$75.00.

The Termination Charges applicable to the Advanced Centrex Service are dependent upon the payment period selected by the customer. Termination Charges by optional payment period are as follows:

<u>Payment Option</u>	<u>Termination Charge</u>
1 Month	None
36 Months	18 months of payments or 60% of the remaining amount due, whichever is less.
60 Months	30 months of payments or 60% of the remaining amount due, whichever is less.
84 Months	42 months of payments or 60% of the remaining amount due, whichever is less.

* Denotes change

/1/ Material formerly appeared in Part 5, Section 3, Original Sheet 19.

Effective: July 23, 1996

Attachment E
Page 4 of 5INDIANA BELL
TELEPHONE COMPANY, INC.**Ameritech**
Catalog

PART 20

SECTION 5

PART 20 - Grandfathered Services
SECTION 5 - Centrex Services1st Revised Sheet No. 15
Cancels
Original Sheet No. 15

CENTREX COMMUNICATION SYSTEM (Cont'd)

Options and Conditions under VTPP (Cont'd)

The customer shall not assign or otherwise transfer its rights or obligations under any Centrex arrangement provided under this tariff without prior written consent of Ameritech. Such consent will not be unreasonably withheld or delayed. Any provisions to the contrary found elsewhere in any tariff are superseded.

Supersedure, as defined in VTPP, is permitted subject to a Transfer Charge of \$75.00.

The Termination Charges applicable to the Centrex Communication System are dependent upon the payment period selected by the customer. Termination Charges by optional payment period are as follows:

<u>Payment Option</u>	<u>Termination Charge</u>
1 Month	None
24 Months	12 months of payments or 60% of the remaining amount due, whichever is less.
48 Months	24 months of payments or 60% of the remaining amount due, whichever is less.

* Denotes change

Effective: July 23, 1996

INDIANA BELL
TELEPHONE COMPANY, INC.

Ameritech

Catalog

PART 20

SECTION 5

PART 20 - Grandfathered Services
SECTION 5 - Centrex Services

1st Revised Sheet No. 33
Cancels
Original Sheet No. 33

CENTREX SERVICE (Cont'd)

General (Cont'd)

Centrex CO Term Payment Plan (CTPP) (Cont'd)

The customer agrees to maintain in service for the duration of the CTPP at least 90% of the Primary Stations. Reductions below the 90% level, complete termination of Centrex CO service, downgrades from Centrex II to Centrex I will invoke Termination Charges equal to the total remaining monthly payment for each item removed.

At the end of a customer's CTPP contract, the service will be continued at the prevailing Month-to-Month prices or the customer has the option to sign a one year renewal contract as specified in a following Paragraph under Centrex CO Term Payment Plan.

The customer shall not assign or otherwise transfer its rights or obligations under any Centrex arrangement provided under this tariff without prior written consent of Ameritech. Such consent will not be unreasonably withheld or delayed. Any provisions to the contrary found elsewhere in any tariff are superceded.

Service may be transferred to a new customer at the same location upon prior written concurrence by the Telephone Company and payment of a \$75.00 Transfer Charge by the new customer. The new customer assumes the existing CTPP terms and conditions.

Temporary Suspension of Service, as specified in the Ameritech Tariff, is not applicable to service furnished under the CTPP.

Deferred Payment Option

Payment of Non-Recurring Charges may be deferred over the length of the customer's payment period or a shorter period (in annual increments), subject to the conditions specified in this paragraph.

The charges to be deferred must be among the following types:

- Installation
- Service Establishment

The customer must select a payment period longer than one month for the service and equipment for which charges are deferred.

* Denotes change

Effective: July 23, 1996